

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 AGR-05 DODE-00 PM-04 H-02 L-03 PA-01 PRS-01

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R 081855Z SEP 75

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 1122

INFO AMEMBASSY BOGOTA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L TEGUCIGALPA 3927

E.O. 11652: GDS

TAGS: EAGR, HO

SUBJECT: CASTLE AND COOK INTERVIEW WITH CHIEF OF STATE MELGAR

REF: TEGUCIGALPA 3633

1. CHIEF OF STATE MELGAR RECEIVED ALONE OFFICIAL OF CASTLE & COOKE (C AND C) ART CARTER OF SAN FRANCISCO OFFICE AND LOCAL STANDARD FRUIT OFFICIALS ROTALO AND SHELETTA. C AND C IMPRESSED BY MELGAR'S UNDERSTANDING ATTENTION AND POSITIVE ATTITUDE TOWARD C AND C PRESENCE IN HONDURAS.

2. COMPANY EXPLAINED ITS POSITION CONCERNING CANCELLATION OF CONCESSIONS. IT PRESENTED A REVISED LIST OF PROBLEMS CREATED. AS AN OBLIGATION TO ITS STOCK-HOLDERS, IT WILL TAKE GOH TO COURT, CLAIMING VIOLATION OF CONTRACT, AND WILL PURSUE ITS CONTENTION THAT
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EXPORT TAX IS ILLEGAL. COL, MELGAR SAID THIS WAS ANTICIPATED BY

THE GOH. CONCURRENTLY, C AND C WILL SEEK TO PLACE ITS OPERATIONS UNDER EXISTING AGRARIAN COROPRATION INVENTIVES LAWS. IF OPERATION UNDER THESE LAWS RESULTS IN ACCEPTABLE RATES OF RETURN, C AND C WOULD GO TO ITS SHAREHOLDERS PROPOSING CONTINUED OPERATIONS IN HONDURAS. THE CRITERIA OF PROFITABILITY ON INVESTMENT IS DOMINANT IN C AND C ANALYSIS. THEY MAINTAIN THAT LEGAL ACTION IS NOT SIMPLY FOR SHOW. (APPARENTLY IT IS A NECESSARY ELEMENT IN THEIR STRATEGY OF NEGOTIATIONS). COMPANY REALISTICALLY EXPECTS TO LOSE LAWSUIT BUT IS CONFIDENT OF ITS ABILITY TO WORK OUT MUTUALLY SATISFACTORY ARRANGEMENTS WITH GOH THEREAFTER.

3. C AND C BELIEVES MELGAR SINCERE, AND THROUGH RAFAEL PAGAN, IT TAKING COMPANY POSITION DIRECTLY TO SOME OTHER MILITARY OFFICERS OF THE SUPERIOR DEFENSE COUNCIL.

4. CESAR BATRES HAS SUGGESTED THAT A DOUBLE TAXATION TREATY WOULD BE USEFUL TO C AND C IN ITS TAX POSITION. C AND C SAID IT HAS CHECKED IN WASHINGTON WITH STATE AND COMMERCE WHICH RESPONDED FAVORABLY. IT WAS SUGGESTED BY EMBASSY THAT TREASURY IS THE MOST CONCERNED DEPARTMENT.

5. C AND C IS ABOLISHING GUATEMALA OFFICE, TRANSFERRING ROTALO TO BECOME PRESIDENT OF STANDARD FRUIT NON-BANANA OPERATIONS IN HONDURAS AND BRINGING IN NEW HEAD FOR BANANA OPERATIONS. PAGAN EXPECTS TO DO HIS GOH PR WORK INTENSIVELY DURING NEXT FEW MONTHS.

6. C AND C CONSIDERS COL. MELGAR VERY MUSH IN CONTROL OF BANANA POLICY. HE INDICATED HONDURAN BANANA CORPORATION WILL DEAL MOSTLY WITH UPEB (UNION OF BANANA EXPORT COUNTRIES). C AND C EXPECTS COL. MELGAR WILL BE ACCESSIBLE AND RESPONSIVE TO COMPANY NEEDS IN ORDER TO ENCOURAGE CONTINUED OPERATIONS. ON THIS, CHIEF OF STATE UNDERTOOK TO PUBLICLY DISASSOCIATE GOH FROM "PERSONAL" VIEWS EXPRESSED BY ATTORNEY GENERAL SERAPIO HERNANDEZ THAT BACK TAXES OF 200 MILLION DOLLARS ARE OWNED BY THE BANANA COMPANIES.

7. CHIEF OF STATE AGREED WITH C AND C THAT ALL ISSUES BE HANDLED WITHOUT FANFARE.

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8. COMMENT. SO FAR SO GOOD. COL. MELGAR IS CONCILIATORY AND APPARENTLY DISPOSED TO GUARANTEE REASONABLE WORKING CONDITIONS. C AND C IS STRAIGHT FORWARD IN EMPHASIZING ITS RATE OF RETURN AS PRIME CONSIDERATION. PAGAN COULD BE SUCCESSFUL IN DEVELOPING BACK-UP SUPPORT AMONG MILITARY. WITH OTHER THINGS HELD CONSTANT, AN ARRANGEMENT COULD BE FORGED. HOWEVER, AMONG THESE OTHER THINGS ARE STANDARD FRUIT'S LEFTIST UNION, DEMOGOGIC STATISTS, NOISY NATIONALISTS, OUT-OF-POWER POLITICIANS OF ALL SHADES, RADICAL

STUDENTS, AND THE AGRARIAN REFORM LAW. THEREFORE, THE OUTCOME
REMAINS SUBJECT TO A SERIES OF UNCERTAINTIES.
SANCHEZ

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